

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

February 16, 1978

LEGISLATIVE REFERRAL MEMORANDUM

OLC
78-0561/1

OMB

TO: Legislative Liaison Officer
Department of Health, Education,
and Welfare
Veterans Administration
Department of Defense
Department of State
Central Intelligence Agency
Postal Service
Environmental Protection Agency
Tennessee Valley Authority

SUBJECT: CSC testimony on H.R. 4620, the Federal Physicians
'Comparability Allowance' Act

The Office of Management and Budget requests the views of
your agency on the above subject before advising on its
relationship to the program of the President, in accordance
with OMB Circular A-19.

A response to this request for your views is needed
no later than noon Friday, Feb. 17, 1978.

Questions should be referred to Hilda Schreiber
(395-4650) or to Jim Stimpson (395-3736),
the legislative analyst in this office.

Naomi R. Sweeney

Naomi R. Sweeney, for
Assistant Director for
Legislative Reference

Enclosures

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STATEMENT OF ALAN R. CAMPBELL, CHAIRMAN
U. S. CIVIL SERVICE COMMISSION
BEFORE THE
COMPENSATION AND EMPLOYEE BENEFITS SUBCOMMITTEE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
U. S. HOUSE OF REPRESENTATIVES

February 21, 1978

Madame Chairwoman and Members of the Subcommittee:

I appreciate the opportunity to appear before this Subcommittee today to present our views on H.R. 4620, a bill to provide special allowances to certain Federal physicians to enhance the recruitment and retention of such physicians. I am accompanied today by Raymond C. Weissenborn, Chief, Pay Policy Division, Bureau of Policies and Standards.

The Administration and the Commission are very concerned about the problems which continue to affect the pay of all Federal physicians. We are mindful also that the Congress has voiced its concern over the pay of Federal physicians and wishes to move toward an equitable long-term solution. It is clear that we must move quickly to assure adequate and equitable compensation for physicians within and across Federal agency lines.

Before presenting our comments and views on H.R. 4620, I would like to outline the basics of the present situation on which our positions are formed.

There are many different systems under which Federal physicians have been paid for many years. The great majority of Federal physicians are, however, paid under three statutory pay systems: the Uniformed, the Department of Medicine and Surgery, and the General Schedule system. Military medical officers are paid under an officer-rank system of military compensation. Physicians in the Commissioned Corps of the Public Health Service hold the same ranks and are paid in the same manner as military medical officers. Physicians in the Department of Medicine and Surgery of the Veterans Administration are paid under a rank-in-person system, which has a superficial resemblance to the General Schedule, but is actually quite different and more flexible in operation. Finally, physicians of the General Schedule are paid under a position classification system with grade levels and their definitions set in law. Federal agencies classify the positions of the General Schedule physicians within GS grade levels under classification standards issued by the Civil Service Commission. The GS grade level determines the applicable pay range. The General Schedule also has provision for an extended range (10 steps) for special rates up to the statutory pay ceiling limitation. Special rates have been authorized for General Schedule physicians for over 22 years.

The three salary systems covering Federal physicians are adjusted annually under the Federal pay comparability system. In the compara-

bility process, the corresponding private enterprise salary rates of selected General Schedule occupations are surveyed. This broadly based cross-industry survey does not include medical occupations and bears no relationship to the income of non-Federal physicians.

Two recent short-term pay actions, although effective and warranted, illustrate that there is a need for a solution to the problem of Federal physicians' pay. The problem was first brought to a head in 1973 for uniformed physicians when the so-called "doctor draft," which had enabled the Uniformed Services to meet their needs for medical officers, came to an abrupt end. A supplemental pay, "Variable Incentive Pay," up to \$13,500 a year, was developed by the Department of Defense and authorized on a temporary basis by the Congress in 1974 to insure adequate recruitment and retention of medical officers in a draft-free environment. The legislation, which expires next October, also covers physicians in the Public Health Service Commissioned Corps.

The second short-term solution occurred when the Veterans Administration experienced serious difficulties in meeting its needs for well-qualified physicians, especially in certain critically short specialties. The problem stemmed not from the loss of a conscription mechanism (as happened to the Uniformed Services), but from (1) the inability of the statutory pay system to be market-responsive, and (2) the statutory pay

ceiling. The inability to recruit and retain new physicians for a long-term career period was persistently evident in the aging work force of physicians employed and the necessity to hire large numbers of foreign medical graduates. As a temporary measure, the concept of a salary add-on was also extended to the VA physicians and dentists in the form of "special pay" under a bill passed by the Congress. This temporary legislation provides for "special pay" up to \$13,500 for a four-year employment contract. It, too, expires next October.

There is an urgent need for greater similarity in treatment of physicians throughout the Federal Service. It doesn't make good sense that some physicians, of the same specialty, doing the same work, should receive radically different pay because they happen to work for VA or wear a uniform. H.R. 4620 is an attempt to meet this need, but we do not think it is an appropriate solution in its present form.

H.R. 4620 covers only the General Schedule and a few other physicians who are not now eligible under temporary "bonus" legislation. H.R. 4620 would give General Schedule physicians allowances (really about the same thing as "bonuses") on a permanent basis. But H.R. 4620 does not cover VA and the uniformed services who still get bonuses under temporary legislation expiring next October. By covering just one group, legislation such as H.R. 4620 can only lead to a whipsawing effect as each group seeks its own legislation to regain its advantage.

If the Committee feels that there is a pressing need for interim legislation, pending the development of long-range recommendations from the Administration, we believe the best step to take is to treat the entire group as temporary. This would achieve equity while a permanent solution is being developed.

H.R. 4620 would, therefore, be less objectionable if it were modified to be temporary legislation. It ought to have the authority for entering into contractual agreements expire on the same date as the legislation authorizing bonuses for the VA and the uniformed services. We also think that your bill should have a common termination date of September 30, 1981, for all contracts. This would be the same common termination date as the VA now has.

There are a few other modifications that should be made to H.R. 4620. The authority to pay bonuses ought to be consistent with the rationale underlying bonus authorities now provided to VA and the uniformed services--that is, to pay bonuses only to those categories of physicians for which there is a recruitment and retention problem. We think, too, that the bonuses should be discretionary, rather than providing mandatory base amounts as proposed in H.R. 4620. In this way, the bonuses can be tailored to the different situations facing each agency.

In implementing a bill such as this, it is necessary to have an authority to issue regulations and audit the system. H.R. 4620 needs to have a provision that the regulations would be subject to Presidential review and approval. In that way, the President could, if he chose, delegate the authority. Also, inasmuch as such regulations would have to be generated, approved, and implemented, we think that at least 60 days, rather than 30 days after enactment, is a more reasonable time for application. The bill also needs a proviso that the bonus system be audited by the Civil Service Commission.

All of these changes would have to be made before H.R. 4620 would be acceptable to the Administration. The Commission would be happy to work with you on them.

Let me mention one other point. H.R. 4620 needs to make clear that it does not apply to the Postal Service. This can be done by deleting the words "Postal Service" under the definition of "Government physician" and "executive agency". Under the Postal Service Reorganization Act, the Postal Service already has the authority to set salaries to meet management needs. We understand that a letter dated January 30, 1978, has been sent from the Postal Service to Chairman Nix explaining this situation.

In closing, let me emphasize the importance of making H.R. 4620 temporary legislation, expiring at the same time as other temporary legislation on

physicians' pay. We anticipate that prior to that expiration date, the Administration will be able to present a proposal to take care of the problem on a permanent basis.

If the Committee wishes to consider H.R. 4620, further, the Administration, through the Civil Service Commission, will be glad to cooperate in working on the modifications I just mentioned.

Again, the Commission appreciates the opportunity to comment on H.R. 4620.

This ends my prepared statement. Mr. Weissenborn and I will be pleased to answer any questions that you may have, as best we can.